Vol. 2, No. 3
May/June 1993

$9.00

Intellectual AMMUNITION

On State and Local Issues

Potshots

■ *Public Speaking:* The art of diluting a two-minute idea with a two-hour vocabulary.

■ All the things I really like to do are either immoral, illegal, or fattening.

ALEXANDER WOOLLCOTT

■ In Japan, the speech comes before the meal. That's so the serving of the luncheon will automatically stop the guy who goes on too long. No wonder the Japanese lead the world in production!

■ There isn't much to be seen in a little town, but what you hear makes up for it.

FRANK HUBBARD

■ Baseball is the only place where a sacrifice is really appreciated.

■ Washington D.C. is a city of Southern efficiency and Northern charm.

JOHN KENNEDY

■ There's no justice. If you make out your income tax correctly you go to the poorhouse. If you don't you go to jail.

■ What this country needs is a bumper as durable as a bumper sticker.

DOUG LARSON

■ The only people nowadays who wake up and find themselves rich are professional boxers.

Six Reasons Why Managed Competition Won't Work

When faced with a social problem, many policy makers instinctively advocate a new government program. Since wholesale government interventions have time and again proven unworkable or unaffordable, policy makers tend to seek a compromise between an unacceptable status quo and an unachievable government-run utopia.

"Managed Competition" is such a compromise. It seeks to deliver the best of both government management and private competition. Unfortunately, it is likely to deliver the worst of both.

❶ Failing to address the real problems. Managed Competition does not remove the distortions and waste caused by past government failures. Insurance mandates, certificate of need laws, restrictions on PPOs, occupational licensing, and unrestrained growth in government health care entitlement programs will undermine a Managed Competition program and bury cost savings it might otherwise attain.

❷ More regulation won't create better incentives. Managed Competition calls for a new government bureaucracy and more regulations to change the economic incentives within the health care industry. But *regulation itself* is usually at fault for severing individual self-interest from the broader interests of society. A regulated environment encourages "working the system" to transfer wealth and power from one group to another. Managed Competition, because it requires extensive regulation of insurers and care providers, would produce incentives to engage in more, not less, of such unproductive conduct.

❸ Lack of primary care physicians. Managed Competition would rely heavily on primary care physicians to act as "gatekeepers" to care, limiting patients' access to higher-cost specialists. But the U.S. has a *shortage* of primary care physicians. One study estimates that it will be *47 years* before the U.S. can reach the same ratio of specialists to primary-care physicians that Canada has, *if* from this time forward fully half of all medical school graduates choose to become primary-care physicians.

(Continued on Page 2)

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Tools For Political Survival

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Intellectual
AMMUNITION
On State and Local Issues

Editor
Diane Carol Bast

Contributing Editors

Education • Thomas Hetland
Environment • Kent Jeffreys
Family • Bryce J. Christensen
Health Care • Joseph L. Bast
Organizations • Robert V. Pambianco
Privatization • John O'Leary
Taxes • Stephen Gold
Welfare • Robert Rector

Board of Directors: Bernard Baltic, Joseph Bast, Franklin M. Buchta, Robert S. Jackson, James L. Johnston, James R. Kipp, David L. Littmann, Everett H. Moffat, James K. Murphy, David H. Padden, Frank Resnik, Mike A. Roberts, Richard Vedder, Lee A. Walker, Stuart A. Wesbury, Jr.

Advertising Sales: Chicago, Marie Peters, 634 South Wabash Avenue, Second Floor, Chicago, IL 60605, 312/427-3060; **Milwaukee**, Kirby Brant, P.O. Box 53, Watertown, WI 53094-0053, 414/261-1430; **Kansas City**, Bradley J. Furnish, 15 West 10th Street #500, Kansas City, MO 64105, 816/471-8152; **St. Louis**, Emmett McAuliffe, 2458 Old Dorsett Road #230, St. Louis, MO 63043, 314/344-1100; **Detroit**, Thomas Shull, 645 Griswold #2525, Detroit, MI 48226, 313/961-1950; **Cleveland**, Judith Brenneke, 3941 Orchard Road, Cleveland Heights, OH 44121, 216/381-8452.

Publisher
Joseph L. Bast
The Heartland Institute
634 South Wabash Avenue
Second Floor
Chicago, IL 60605
312/427-3060
(fax) 312/427-4642

Business advisors: John G. B. Howland, Venture Catalysts, Inc.; Don L. Foote, First National Acceptance Company.

Intellectual Ammunition is published by The Heartland Institute, a nonprofit, nonpartisan research and education organization with offices in five Midwestern states. The Heartland Institute conducts and disseminates research on state and local public policy issues. Subscription $98.00; single issue $9.00.

Nothing in *Intellectual Ammunition* should be construed as necessarily reflecting the views of The Heartland Institute or as an attempt to aid or hinder the passage of any legislation.

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THE HEARTLAND INSTITUTE

❹ Managed Competition won't save money. HMOs, on which Managed Competition is modeled, have failed to save money consistently. Half of the employers responding to a recent survey by A. Foster Higgins, an employee benefits consulting firm, said their HMO rates were as high or higher than their non-managed care plan costs.

❺ Forcing the poor to subsidize the wealthy. Managed Competition would require community rating of insurance. But community rating forces low-risk persons, who tend to be young and low-income, to subsidize high-risk persons, who tend to be older and have higher incomes. Managed Competition would hurt young families paying off college loans and buying first homes.

❻ Subsidizing unhealthy lifestyles. Community rating also subsidizes behavior that leads to higher health care costs. If *everyone* pays the medical bills for smokers, people with multiple sex partners, or those who overeat and do not exercise, there is less incentive for these people to change their lifestyles. This in turn raises health care costs for everyone. The effect could be huge: The top ten causes of premature death in the U.S. are significantly influenced by personal behavior and lifestyle choices.

# # #

Based on the revised second edition of *Why We Spend Too Much on Health Care*, by Joseph L. Bast, Richard C. Rue, and Stuart A. Wesbury, Jr. (Chicago, IL: The Heartland Institute, 1993). 176 pages; $8.95 paper.

Publisher's Note

"Ripped and Clipped"

Nearly fifty state policy makers took the time to complete the "FaxBallot" on the back cover of the last issue. Some had especially memorable things to say. **Sen. Topinka** (IL) reports that she won't keep the last issue for reference because "I ripped it and clipped it for more circulation, so there wasn't much left!" **Rep. Riley** (NH) called it "invaluable in preparing testimony on legislation." **Rep. Apple** (OK) says *IA* is "a refreshing stimulus. A good mind jogger." **A. Heath**, at the OK Department of Libraries, called *IA* "The Rush Limbaugh of newsletters." (Hmmm...)

On "Reinventing Government"

I especially recommend to you the article in this issue on "reinventing government" by Steve Buckstein. It appears on page 19.

Like Buckstein, I was disappointed by the apparently popular book, *Reinventing Government*. Authors David Osborne and Ted Gaebler seem to believe that folks in the private sector are short-sighted and best kept under the decks, "rowing." Elected officials, by contrast, are farsighted, and thus should walk the decks and "steer" for the rest of us. I don't think this is what Peter Drucker or E.S. Savas meant when they first used the "rowing versus steering" image.

For me, the first clue that something funny was going on was the absence in *Reinventing Government* of any reference to Robert W. Poole, Jr. Along with Savas, Poole invented privatization and built an international movement for it. His name will appear in any complete history of the 20th Century.

So why is Poole missing from *Reinventing Government*? Ideology. Poole, you see, favors *less* government, as well as more efficient government. Osborne and Gaebler, on the other hand, favor *more* government purchased from the efficiency gains of current government.

Readers who liked *Reinventing Government* might wish to continue their education by reading an even better book: *Cutting Back City Hall*. You can purchase it from the Reason Foundation (310/391-6525).

In case you are wondering, *Cutting Back City Hall* was written by Robert W. Poole, Jr. . . . in 1980.

Joseph L. Bast
Publisher

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Education Crisis Creates Opportunities

By James K. Murphy

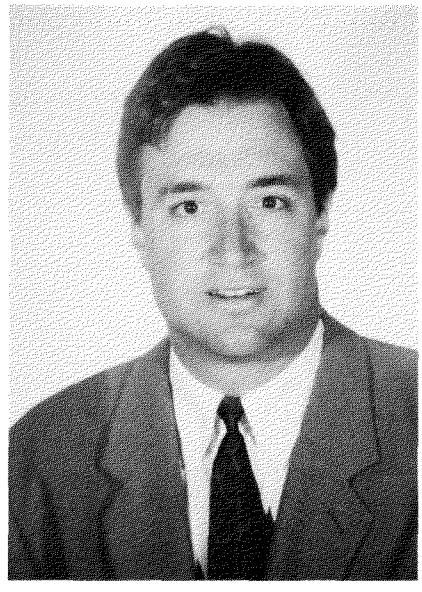
Life & Liberty: A forum for the Directors and Governors of The Heartland Institute to share their personal philosophies and life experiences.

As difficult as it may seem to many legislators around the country, the apparently insurmountable problems facing public education today present a great opportunity to implement real and lasting reforms. From today's troubles can emerge a school system that creates new and better opportunities for our young people.

Many elected officials are being pushed by special interest groups representing the *business of education* (not students or parents) to support the old and worn-out solutions of greater spending and more centralized control. These interest groups are well-financed and influential. No one blames public officials for paying attention to their demands.

I suggest, however, that there is a different "interest group" consisting of millions of people who do not support the endless subsidization of failing public schools. Our only vested interest in school reform is the future of our children and our communities. We know that "more of the same" will not improve test scores or better prepare our youth for future careers. We are looking for a few political leaders who will speak for us, who will stand up and say "enough is enough!"

More Americans each year are realizing that the interests of teachers unions and public school administrators are not always the same as those of students and parents. They witness the high drop-out rates and budget deficits, declining test scores, rising teacher pay and life-long tenure, and school boards being led by administrators instead of pursuing the interests of students and parents.



Political leaders willing to stand up against the education lobbyists will find widespread, enthusiastic support.

Political leaders who have the courage to stand up against the traditional lobbyists for public education will find widespread and enthusiastic support. This has been my experience as president of a foundation that financially assists young people attending Chicago public schools to gain access to private schools. Much of the public education system's traditional market wants out; they cannot be forced forever to attend schools against their will. Quality and options in education are the only ways to get young people to stay in school and take learning seriously.

During the 1980s, competition from foreign car manufacturers forced American car makers to dramatically improve their products and reduce their production costs. Today, consumers can choose from a wide selection of affordable, high-quality cars.

Something similar can happen in the education arena if we encourage competition among public, private, and parochial schools. Private scholarship programs to foster such competition, such as that operated by the Daniel Murphy Scholarship Foundation in Chicago, have been created in a number of cities during the past two years. The tremendous outpouring of interest and support that has greeted these programs certainly suggests that public policies that support school choice would be similarly welcomed.

So as you ponder the future of public education, please do not forget the high school graduating classes of 1998, 1999, or 2000. Do not put your time and energy into "reforms" like higher spending or more state mandates that experience has shown will go bust by 1995.

Instead, seize the opportunity to propose genuine reforms that emphasize choice, competition, and opportunity. Insist on a plan that is parent- and student-friendly, not just teacher- or administrator-friendly. Give next year's eighth graders a chance to go to a good school, get a good education, and lead others by example.

# # #

James K. Murphy, president of the Daniel Murphy Scholarship Foundation, is a member of The Heartland Institute's Board of Directors and managing partner of Option Funding Group, L.P.

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Organizations

Why Business Finances the Environmental Movement

V.I. Lenin said that a capitalist would sell communists the rope they would use to hang the businessmen. Lenin was close. Capitalists are not *selling* the rope; they are giving it away.

For years, America's biggest corporations have financed some of the most anti-free market environmental lobbying groups. Corporate grants have become agents for promoting state control of business.

We do not often hear of Exxon, Mobil, and USX keeping company with the Environmental Defense Fund (EDF), National Wildlife Federation, and Sierra Club. But the dirty truth that many environmentalists don't want us to know is that these capitalists have helped fund their lobbying for years.

Businesses support the environmental movement for four primary reasons. First, corporate grantmaking is often performed by public relations departments or semi-autonomous foundations, run by professional philanthropists recruited from the nonprofit sector. These people know, or care, little about the profit-making aspects of the corporation, so grants frequently are disbursed to friends in nonprofit groups without concern for the effect on business performance.

Though rarely successful, grantmaking occasionally is seen as a way to appease recipient groups. Exxon funds the Environmental Law Institute, an organization instrumental in strengthening laws used to punish Exxon for the Valdez oil spill. Weyerhaeuser, a giant in the lumber and paper industry, supports the National Wildlife Federation, which shows more concern for a sub-species of owl than for the employment of loggers in the Pacific Northwest.

Many corporations believe that environmental correctness can be parlayed into positive public relations. For example, McDonald's boasts (despite mixed public opinion) that it cooperated with the EDF to eliminate the company's line of styrofoam containers.

Why does US business fund environmental lobbyists who are anti-free market?

Perhaps most importantly, big, established companies actually prefer some regulation. Large corporations can absorb the costs of regulation better than can small businesses, and big businesses are often disturbed by the dynamism of a truly free market. Large corporations desire stability — not freedom — and regulation often provides the former at the expense of the latter.

In *The Holes in the Ozone Scare*, Rogelio Maduro and Ralf Schauerhammer assert that the annual revenue of the more than 3,000 environmental groups exceeds $8.5 billion. The Nature Conservancy alone generates more than $250 million each year, much of it from corporate grants. While some of this money is dedicated to legitimate scientific study and conservation, billions of dollars are spent each year lobbying the various federal, state, and local governments in the United States.

Most people are aware that the government cooperates with lobbyists when developing regulatory policy. Legislators and administrators, burdened with busy schedules, often accept interest group research at face value and, in the case of environmental regulation, many politicians are simply eager to share credit for "saving the Earth." Now Bill Clinton and Al Gore are moving environmental lobbyists from the halls of Capitol Hill to the offices of the White House.

Through his appointments, Clinton is subjecting America to the direct control of numerous environmental special interests. Interior Secretary Bruce Babbit is former president of the League of Conservation Voters, and his assistant secretary for parks and wildlife, George Frampton, is former president of the Wilderness Society.

Brooks Yeager, now special assistant to Babbit, used to be vice president for government relations at the National Audobon Society and once worked for the League of Conservation Voters and the Sierra Club.

These appointments and others ensure a continuation of the trend toward enacting legislative packages that hurt the economy and destroy jobs, while doing little to address genuine environmental problems.

Because many major corporations finance the groups responsible for this legislation, they are indirectly supporting regulation that inhibits the free market. This stifling relationship is the rope of Lenin's prophecy.

Capital Research Center

Information on this page was provided by Gregory Conko, a Research Associate at the Capital Research Center. For more information, contact the Capital Research Center, 727 15th Street NW, Eighth Floor, Washington, DC 20005-1599; phone 202/737-5677.

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Education

How to Finance a School Choice Plan

This article, while Chicago-specific, can be a model for the evaluation of school finances in other districts, large and small.

A School Choice Plan
During the current school year, the Chicago Board of Education will spend $2.56 *billion* to educate 412,000 students. By every measure, it will have done a disastrous job.

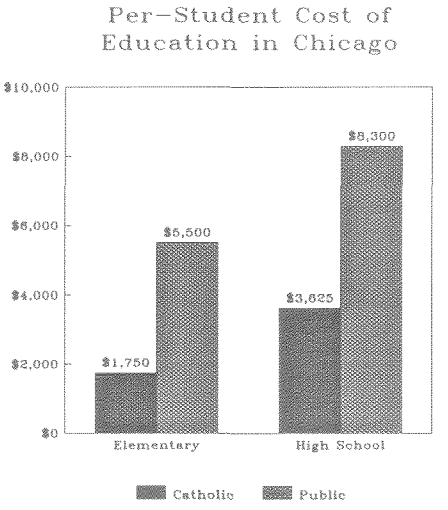
What if, next year, we tried a different approach? What if we gave each parent or guardian *their share* of the $2.56 billion and empowered them to choose a school, public or private, for their child? A school choice plan would do this.

Basic Funding
If the money currently spent just for educating public school students was shared with students now attending private schools, there would be enough to put $2,600 behind every elementary student and $4,400 behind every high school student in the city. That's more than enough to cover the tuition in most of the city's private schools, even though public schools, accustomed to setting their prices with monopoly protection, say they need more. But things get better; there *is* more.

Funding for Low-Income Students
The above figures do not include $449 *million* in state and federal Chapter I funds available for students from low-income families. Two-thirds of Chicago's public school students qualify for these funds. If distributed on an individual basis each of these children would receive an additional $1,600. Adding to the above figures, we would be able to give the low-income elementary student $4,200 and the high school student $6,000 with which to seek a satisfactory education. The $4,200 figure alone would cover nearly *four* tuitions at the average Catholic elementary school. But things get better; there is *more*!

Provisions for Special Education Students
The above figures did not tap the $354 *million* budget appropriated for the approximately 40,000 students with special education needs. While these needs are individually assessed, and widely varying amounts are required for the benefit of these children, there is on average an extra $9,000 available for each of these students to supplement the amount above.

Funding for ALL
At this point the $2.56 *billion* budget has been accounted for. Without any increase in taxes, a school choice plan would provide more than enough funds to pay for the tuition of all 540,000 of Chicago's school children. This year's budget is sufficient to extend funding of $2,600 to *all* city elementary students, $4,400 to *all* city high school students, and an additional $1,600 for every student from a low-income family.



Equity AND Savings
If we told our legislators to enact a funding system like this we could have next year's education at this year's prices; there would be no $380 million shortfall to worry about; no being over a barrel with 24 unions holding 412,000 kids hostage; and no need for a tax hike. Best of all, students would be in schools their parents selected with teachers they trust.

This is a school choice, or "voucher," system. It is the key to equity for students and accountability for taxpayers, and it doesn't cost a nickel more.

CENTER FOR REBUILDING AMERICA'S SCHOOLS

Information on this page was provided by Thomas Hetland, FSC, Executive Director of the Center for Rebuilding America's Schools. He is a member of the Christian Brothers and was for twenty years a high school teacher and administrator. For more information, contact Thomas Hetland, the Center for Rebuilding America's Schools, 634 South Wabash, Second Floor, Chicago, Illinois 60605; phone 312/427-3156, fax 312/427-4642.

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Environment

What Works and What Doesn't

States Act to Protect Private Property

Three states — Arizona, Delaware, and Washington — have passed Private Property Rights bills, and at least 15 other states have introduced such legislation. Their actions are necessary largely because environmental regulations have become more restrictive and far-reaching in recent years.

States that Introduced Private Property Rights Protection Bills in 1993

Colorado	Oregon
Florida	Rhode Island
Hawaii	South Carolina
Maryland	Utah
Massachusetts	Vermont
Missouri	Virginia
Montana	Wyoming
New Mexico	

The Fifth Amendment to the U.S. Constitution and many state constitutions provide that private property may not be taken for a public purpose (such as highway construction) without compensation to the owner. This "takings" clause merely requires that individuals be paid when their property is taken. Yet environmentalists are determined to fight any state-level legislation that reinforces or even simply restates these fundamental liberties.

If environmentalists were sincere, they would admit that private property rights provide one of the most effective means of protecting the environment. Witness the massive ecological damage in the former Social nations. Because the state owned everything — from the factories to the farms — the environment was devastated. The fact is, if we wish to protect the environment, we need more, not less, private property.

Form more information, contact Tracey Pribble, American Legislative Exchange Council, 214 Massachusetts Avenue NE #240, Washington, DC 20002; phone 202/547-4646.

Eco-Regs vs. Health Care

Many environmental regulations attempt to reduce health risks below one-in-a-million over the average person's lifetime. Yet the average American 40-year-old confronts a daily risk of death of *eight* in a million. Eight out of every one million 40-year-olds die each day.

Some regulations are truly absurd. For example, a 1990 regulation that listed certain wood preservatives as "hazardous waste" would cost $6 trillion for each hypothetical premature death averted.

Medical waste has become a key focus of the environmental debate . . . yet no evidence has been presented to show that *anyone* has contracted an infection from medical wastes. Researchers with the Society for Hospital Epidemiology of America calculated that the maximum risk of HIV infection from a needle on a beach — such as those found not long ago in New Jersey — was one in 15 billion. According to Susan Dudley, formerly with the EPA, the risk of drowning is *37 million times greater.*

For further information write Susan Dudley, Economists Incorporated, 1233 20th Street NW #600, Washington, DC 20036.

Gore Loses, We Win

Al Gore may have lost his first big battle as vice president. Even before his swearing-in, Gore announced his strong opposition to the Waste Technologies Industries incinerator in East Liverpool, Ohio. Gore jumped on the "Ban Wagon" along with Greenpeace and a group of cross-country protestors who temporarily deserted the spotted owl in an attempt to ruin yet another local economy.

A lower court had ruled that the incinerator could not begin operations until the EPA had concluded a painstaking review of an earlier test run. The Sixth Circuit Court of Appeals reversed the ruling and, in a stunning defeat for radical environmentalists, Supreme Court Justice John Paul Stevens refused to consider the incinerator opponents' appeal.

With its seemingly unlimited financial resources, Greenpeace pledged to commence a radio and television smear campaign to terrify local residents into a last stand against the incinerator. Let's hope they get sued for false advertising.

CEI

Information on this page was provided by Kent Jeffreys, director of environmental studies at the Competitive Enterprise Institute, 1250 H Street NW, Suite 700, Washington, DC 20005-3908; phone 202/783-3870.

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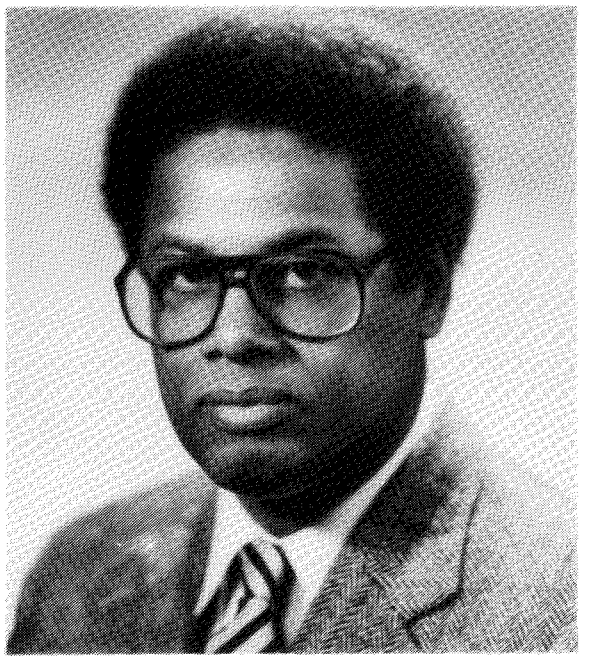
WHY NOW IS THE TIME FOR REVOLUTION IN AMERICAN SCHOOLS AND UNIVERSITIES

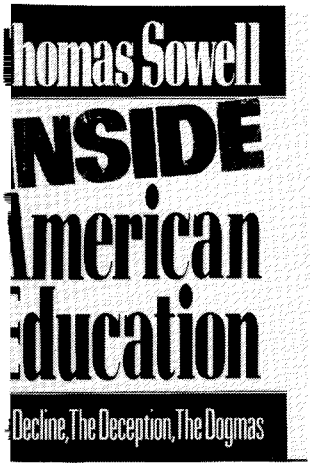
INSIDE AMERICAN EDUCATION
The Decline, The Deception, The Dogma

by Thomas Sowell



"Virtually everyone has heard how poorly American students perform, whether compared to foreign students or to American students of a generation ago. What everyone may not know are the specifics of how bad the situation has become, how and why the public has been deceived, or the dogmas and hidden agendas behind it all"—Thomas Sowell

In his most recent book, Sowell attacks the education elite for what they truly are: tenured aristocrats who thumb their noses at taxpayers whose kids are dragooned into the government's so-called classrooms.



"They have taken our money, betrayed our trust, failed our children, and then lied about the failures with inflated grades and pretty words."

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Families

Tracing the Link Between Broken Homes, Violence, and Poverty

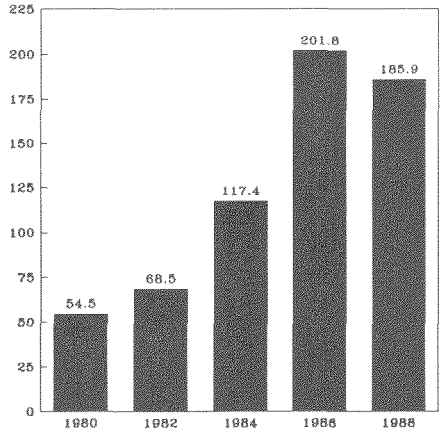
Mother's Abusive Friend

Children in single-parent households are vulnerable to abuse by their mother's boyfriends. Some 47 percent of all reported non-parental abuse is committed by mothers' boyfriends, even though they provide less than 2 percent of non-parental care.

The explanation may be "the absence of genetic relationship" between the abusive boyfriends and the children and the lack of "legitimacy" of the boyfriend's role in the household.

Source: "Child Abuse by Mother's Boyfriends: Why the Overrepresentation?" *Child Abuse and Neglect* 16 [1992].

Urban Homicide Rate per 100,000 Among Blacks Ages 15 to 18



Murderous Toll

Although mortality rates generally have declined among American children in this century, rates have surged among urban youth in recent years, in large part because of a startling rise in the child homicide rate.

The all-cause mortality rate for black urban males (ages 1 to 18) rose from just 68.5 per 100,000 population in 1980 to 119.2 per 100,000 population in 1988.

"Homicide was the leading or second ranked cause of death in all pediatric age groups in our urban black population by 1988," according to a new study.

Researchers recommended "addressing issues including poverty, drug and alcohol abuse, and working to keep our families together."

Source: "Death in the City: An American Childhood Tragedy," *Journal of the American Medical Association* 267 [1992].

No Money

The nation's poverty rate continues to run far higher in single-parent households than in two-parent homes. According to the U.S. Bureau of the Census, "Married-couple families continued to have the lowest poverty rate (6.0 percent in 1991)" among all family types. The overall poverty rate for families climbed between 1990 and 1991 primarily because "both the poverty rate and the number of poor families with a female householder, no spouse present, increased significantly in 1991. Families with a female householder represented 12.7 percent of nonpoor families, but 54.0 percent of poor families in 1991."

Source: "Poverty in the United States: 1991," *Current Population Reports*, Series P-60, No. 181, August 1992.

The Poor Get Poorer

As the number of female-headed households has increased, not only has the gap between the rich and the poor widened, but the likelihood that an impoverished household will be able to improve its economic position significantly over time has declined.

Statisical analysis shows that "becoming a member of a female-headed household is associated with a decline in income position" and also that "becoming a member of a female-headed household is associated with declines in income mobility." Consequently, for those living in female-headed households, it is especially true that "individuals have a lesser chance of improving their relative position in the economic distribution than they did twenty years ago."

Source: "Accounting for Income Mobility Changes in the United States," *Social Science Quarterly* 73 [1992].

Not Good Substitutes

A child may lag in mental and social development if reared in a household that includes a grandmother, but not a father. In a recent study, researchers found that "although grandmother contact is an important form of help for the [teen] parent's schooling, it may have costs for the child." In contrast, the effects of a child's contact with a teen mother's "male partner" (generally the child's father) were "generally positive for the child's development."

Source: "Partner and Grandmother Contact in Black and White Teen Parent Families," *Journal of Adolescent Health* 13 [1992].

THE ROCKFORD INSTITUTE

Information on this page was provided by Bryce J. Christensen, editor of *New Research*, a monthly supplement to *The Family in America*, published by The Rockford Institute. For more information, contact Allan Carlson or Dr. Christensen at The Rockford Institute, 934 North Main Street, Rockford, IL 61103, phone 815/964-5053, fax 815/965-1826.

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- **D** **Peter Breggin:** *Raising Free and Happy Children* (61 min.)
- **E** **Charlotte Buhler:** *Humanistic Psychology* (50 min.)
- **F** **Carlos Castaneda:** *Don Juan: The Sorcerer* (38 min.)
- **G** **Noam Chomsky:** *Government in the Future* (57 min.)
- **H** **Alistair Cooke:** *America: An Outside View* (55 min.)
- **I** **Edward De Bono:** *How to Change Ideas* (55 min.)
- **J** **Joachim Fest:** *Hitler: A Personal View* (55 min.)
- **K** **Erich Fromm:** *To Have or to Be: The Nature of the Psyche* (56 min.)
- **L** **Robert Frost:** *An Evening with Robert Frost* (55 min.)
- **M** **Buckminster Fuller:** *Twentieth-Century Renaissance* (55 min.)
- **N** **Barry Goldwater:** *Conscience of a Conservative* (58 min.)
- **O** **Robert Heilbroner:** *Business Civilization in Decline* (55 min.)
- **P** **Thor Heyerdahl:** *Waters of the World* (58 min.)
- **Q** **Sir Edmund Hillary:** *Nothing Venture, Nothing Win* (55 min.)
- **R** **Groucho Marx:** *Fast Mind, Faster Mouth* (60 min.)
- **S** **Joseph Mazzeo:** *Machiavelli: Practical Politician or Devil?* (50 min.)
- **T** **Ashley Montagu:** *The Nature of Human Nature* (48 min.)
- **U** **Carl Rogers:** *Toward a Science of the Person* (65 min.)
- **V** **Arthur Schlesinger:** *The Imperial Presidency* (56 min.)
- **W** **B.F. Skinner:** *Behaviorism at Fifty* (60 min.)
- **X** **Ludwig von Mises:** *Why Socialism Always Fails* (86 min.)
- **Y** **Alan Watts:** *Zen: The Eternal Now* (47 min.)
- **Z** **R. Ornstein & D. Galin:** *Our Two Brains: Rational & Intuitive* (56 min.)

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Health Care

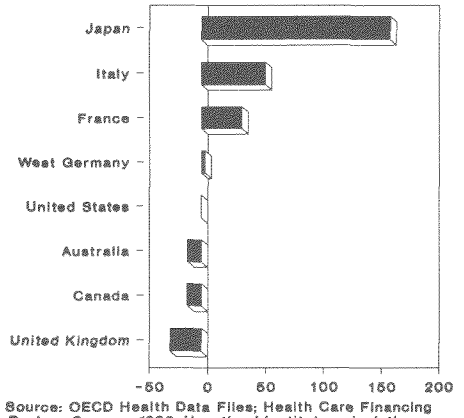
The Clinton Administration Runs Amok

Hillary's Star Chamber

Ordered by a federal court to hold its meetings in public and subjected to intense criticism by editorial writers and health care professionals across the country, the Administration has finally released the names and identities of members of its task force on health care reform. Nearly all are congressional aides, federal bureaucrats, and obscure Friends of Hillary.

These are the "experts" who will plan the future of health care in America? *Not likely!* Whatever the task force recommends likely will be dead on arrival in Congress. The debate has only just begun.

Growth in Per-Capita Health Care Spending as a Percent of U.S. Spending (1961-1990)



Source: OECD Health Data Files; Health Care Financing Review, Summer 1992; Heartland Institute calculations.

Beating up Drug Manufacturers

Reacting to opinion polls showing that the public holds drug manufacturers in low esteem, the Clinton Administration targeted them for a highly publicized trip to the woodshed.

Given time to defend themselves, drug manufacturers can expect to win this confrontation hands down. Prescription drugs accounted for a tiny 4.8 percent of total spending on medical care in 1990, down from 7.4 percent in 1970. And drugs save consumers billions of dollars a year by making unnecessary some forms of surgery, hospital visits, and lengthy convalescence.

Price Controls?

One of the many trial balloons floating in Washington is the imposition of wage and price controls on the health care industry. The lessons most of us learned during the Nixon Administration seem entirely forgotten inside the beltway.

People outside the beltway have better memories. *The New York Times*, in a November 22, 1992, editorial, says "[President Clinton] . . . must realize that trying to run the $800 billion health care industry by government fiat is folly. Price controls would spawn bureaucracy and wholesale evasion. Worse yet, they would rob health care providers of the drive to innovate that now distinguishes the U.S. health care system."

And writing in *The Wall Street Journal*, C. Jackson Grayson Jr., the former chairman of the Nixon Price Commission, says "Price controls will make things worse. Believe me, I've been there." "Controls have not worked in 40 centuries," he adds. "They will not work now."

Gee, Where Did All the Waste Go?

Advocates of managed competition and national health insurance repeat three "facts" as if they were carved onto tablets and given to Alain Enthoven atop Mount Horeb: The U.S. spends a higher percentage of its GNP on health care than any other country; 25 percent of health care spending is "wasted" on administration; and 50 percent of medical procedures and surgery are medically unnecessary. The first two points have been aptly rebutted by studies showing that health care spending in the U.S. is rising more slowly than spending in many other industrialized countries.

Now the third tablet has been crushed. Researchers for the RAND Corporation report in the *Journal of the American Medical Association* that fewer than 5 percent of bypasses, coronary angioplasty, and coronary angiography performed in New York in 1990 were unnecessary.

What does the new evidence mean? One of two things: that most medically unnecessary surgical procedures were wrung out of the health care system during the past five years, or that the problem never existed in the first place. In either case, estimates of how much could be "saved" by managed competition or national health insurance must be drastically reduced in light of the new discovery.

THE HEARTLAND INSTITUTE

Information on this page was provided by Joseph L. Bast, president of The Heartland Institute. For more information, contact The Heartland Institute, 634 South Wabash, Second Floor, Chicago, Illinois 60605; phone 312/427-3060, fax 312/427-4642.

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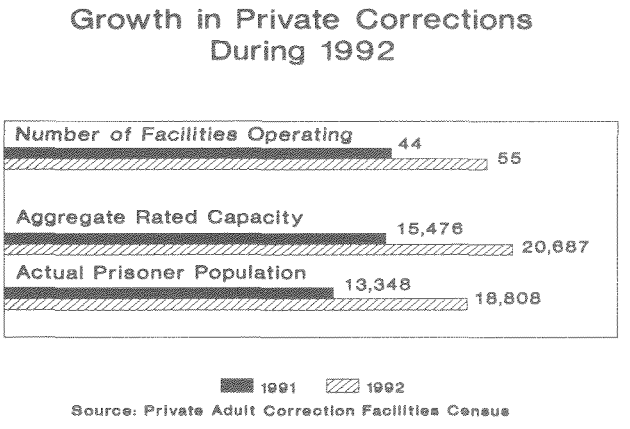
Privatization

Prisons and Zoos Pace Privatization Growth

Prison Privatization Census Shows Continued Growth

The latest census of private corrections found that, despite a decrease in the rate of growth in the overall prison population, the use of the private sector in corrections continued to gain acceptance as an alternative to the traditional government monopoly.



The findings were reported in the December 1992 "Private Adult Correctional Facility Census," prepared by Professor Charles W. Thomas and Suzanna L. Foard of the University of Florida's Private Corrections Project. According to the census, the number of privately managed correctional facilities grew by 25 percent in 1992.

Illinois Task Force Issues Report: Consider Privatization

A task force organized by Governor Jim Edgar released its report on March 1. The group recommended that privatization be considered for a wide range of state functions, and it developed criteria for determining if privatization should be explored for any given activity.

Privatization Conferences Draw Crowds

In January, *Forbes* magazine hosted a "Rebuilding America" conference at New York's Plaza Hotel, drawing over 500 attendees. Last year's event drew roughly 300 guests. The success of this year's conference appears to represent a coming-of-age for the emerging private infrastructure industry.

Over 300 attendees, including some 250 public officials, attended the Lake Tahoe Privatization Summit held February 10-11. Cosponsored by the Reason Foundation, the Privatization Council West, and the Institute for Business and Industry, the meeting was the largest privatization conference ever held in the West.

Zoo Privatization

Re-examining priorities in light of fiscal pressures, government agencies across the country are turning to privatization of cultural activities, with donations and user fees replacing tax dollars. Several municipal zoos are flourishing under private nonprofit management.

The **Stone Memorial Zoo** and **Franklin Park Zoo** in Massachusetts are thriving under Governor William Weld's March 1991 legislation instituting privatization. "As far as the zoos are concerned, Gov. Weld's privatization initiatives are working famously," said Sanders Lewallen, president and CEO of the Commonwealth Zoological Corporation.

Rather than close the **San Francisco Zoo**, the city Board of Supervisors voted in February 1993 to turn it over to private management. Pending Board approval, the agreement should go into effect July 1, 1993.

Zoo Atlanta of Georgia was considered among the "nation's worst zoos" in the late 1970s and early 1980s. Since going private in 1985, the government's operating subsidy is down from $1.4 million to $100,000 a year, and even this small subsidy is scheduled to be eliminated next year. "We've rebuilt half the zoo. Our attendance has quadrupled. Our membership has increased tenfold. By every standard it has become a big-league zoo," reported zoo director Dr. Terry Maple.

Reason Foundation

Information on this page was provided by John O'Leary and William Eggers of the Reason Foundation. For more information, contact the Reason Foundation, 3415 South Sepulveda Boulevard, Suite 400, Los Angeles, CA, 90034, phone 310/391-2245, fax 310/391-4395.

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Taxes

Energy Tax Imposes Uneven Burden

Midwest will Feel the Heat

According to analysis by the Tax Foundation, the Clinton Administration's proposed broad-based energy tax — based on British thermal units, or BTUs — would hit the citizens of some states far harder than others. States that traditionally consume a great deal of energy, like Texas and California, could pay up to 75 times more in energy taxes each year than states that are less energy-intensive, like Vermont. As a region, the Midwest will be particularly hard hit.

Industrial and Transportation Sectors will Pay the Price

Generally speaking, the industrial and transportation sectors of each state will feel the greatest impact of the BTU tax. In Texas, the industrial sector alone will shoulder over half the BTU tax burden. But in California it's the transportation sector that carries the load — it should yield almost 40 percent of that state's energy tax revenue.

The residential and commercial sectors are not immune, however. Those two sectors will likely contribute almost half the BTU tax revenue in Florida and over half in New York State.

Average Annual BTU Tax Burden by Sector
Top Ten and Bottom Ten States
($ millions)

State	Residential Sector	Commercial Sector	Industrial Sector	Transportation Sector	Total	Rank
Texas	200.6	173.2	966.8	383.3	1,723.9	1
California	224.7	229.0	332.5	499.7	1,285.8	2
Ohio	137.4	101.1	272.1	140.1	650.7	3
New York	167.1	178.3	122.9	162.4	630.6	4
Pennsylvania	140.3	91.1	248.6	148.3	628.3	5
Illinois	146.1	114.1	210.9	151.0	622.0	6
Louisiana	51.3	37.7	399.7	126.0	614.8	7
Florida	142.0	121.5	75.0	199.8	538.3	8
Michigan	117.7	83.0	160.7	119.6	481.0	9
Indiana	72.5	47.0	208.0	102.1	429.6	10
Maine	14.0	10.2	19.4	20.3	63.9	42
Montana	10.3	8.9	25.7	14.6	59.5	43
North Dakota	8.7	6.8	26.9	11.5	54.0	44
Hawaii	4.4	7.9	12.7	27.6	52.6	45
New Hampshire	12.3	7.2	10.5	12.8	42.7	46
Delaware	7.9	5.9	16.5	11.1	41.4	47
South Dakota	9.2	5.5	9.5	11.6	35.8	48
Rhode Island	10.6	7.2	6.3	10.1	34.3	49
District of Columbia	5.8	13.5	5.8	4.8	29.8	50
Vermont	6.7	4.2	4.0	7.4	22.3	51
Total U.S.	2,795.8	2,267.2	5,252.2	3,964.7	14,280.0	

TAX FOUNDATION

Information on this page was provided by Stephen Gold, director of communications at the Tax Foundation. For more information, contact the Tax Foundation, 1250 H Street NW, Suite 750, Washington, DC 20005-3908; phone 202/783-2760, fax 202/942-7675.

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Welfare

Workfare: Theory and Reality

Percent of Adult AFDC Recipients Participating in Job Search, Workfare, or Training (FY 1992)			
Alabama	7.2	Montana	15.1
Alaska	3.8	Nebraska	3.1
Arizona	2.8	Nevada	9.0
Arkansas	9.6	New Hampshire	9.8
California	4.8	New Jersey	8.9
Colorado	11.1	New Mexico	7.6
Connecticut	14.6	New York	6.8
Delaware	8.0	North Carolina	5.1
District of Columbia	6.0	North Dakota	13.0
Florida	3.8	Ohio	9.6
Georgia	4.7	Oklahoma	24.6
Hawaii	0.7	Oregon	10.4
Idaho	8.4	Pennsylvania	5.9
Illinois	6.6	Rhode Island	10.9
Indiana	1.2	South Carolina	5.4
Iowa	3.8	South Dakota	8.6
Kansas	9.2	Tennessee	4.2
Kentucky	5.1	Texas	5.2
Louisiana	4.0	Utah	30.0
Maine	5.2	Vermont	7.4
Maryland	4.6	Virginia	6.7
Massachusetts	16.5	Washington	11.2
Michigan	6.9	West Virginia	6.9
Minnesota	5.1	Wisconsin	18.1
Mississippi	2.5	Wyoming	11.7
Missouri	3.8	**Nationwide Average**	**6.9**

Public Favors Workfare. . .
A Gallup poll conducted in November 1991 showed that most Americans favor requiring welfare recipients to perform community service in exchange for benefits received. Fully 79 percent of those polled agreed that the government should require "able bodied people on welfare, including women with small children, to do work for their welfare checks."
Source: Will Marshall and Martin Schramm, *Mandate for Change* (New York, NY: Berkeley Books and Progressive Policy Institute, 1992), page 225.

. . . Yet Few States Have Serious Workfare Programs
According to the federal welfare reform act passed in 1988, adult recipients in the Aid to Families with Dependent Children (AFDC) program may be required to participate in organized job search, training and education, or "workfare" in which the recipient performs community service in exchange for welfare benefits received. Many state legislators believe that a high percentage of welfare recipients are currently required to participate in these activities within their states.

But data provided by the U.S. Department of Health and Human Services show that in the average state less than 7 percent of adult welfare recipients regularly participate in these activities. The table shows the percentage of adult AFDC recipients in each state who were required to participate in job search, training, or workfare for more than 20 hours per week during the average month in FY 1992. Among the very small percentage of recipients who took part in any activity, most were in job search and training. Very few were in workfare programs.
Source: Robert Rector, "Welfare Reform, Dependency Reduction, and Labor Market Entry," *Journal of Labor Research*, forthcoming Summer 1993.

Information on this page was provided by Robert Rector, policy analyst for social, welfare, and family issues at The Heritage Foundation. For more information, contact The Heritage Foundation, 214 Massachusetts Avenue NE, Washington, DC 20002, phone 202/546-4400, fax 202/544-2260.

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RESEARCH REPORT

Summaries of Research on State and Local Public Policy

See pages 29-31 for the addresses and telephone numbers of the publishers of research cited here.

BUDGET

The Burden of Federal Mandates. Federal mandates cost state and local governments across the country as much as $500 billion a year. Worse still, many federal mandates come down without so much as an *estimate* of the cost of compliance, throwing the budgets of state and local governments into turmoil. *What to do?* State and local government officials must demand accountability from their Congressional delegation. Alabama, for example, now requires its delegation to account for unfunded mandates by reporting annually to a joint session of the state legislature. David Dunn, "'Make More Bricks, Still No Straw': The Continued Growth and Burden of Unfunded Federal Mandates," *Report*, February 1993, Resource Institute of Oklahoma.

If every man, woman, and child in America each "contributed" $1.00 a month, it would take 1,333.5 years to pay off the current national debt.

Item Reduction Veto a State Tool for Fiscal Restraint. Twelve states grant their governors the right to veto a line item in an appropriations bill by reducing the amount appropriated. (Forty-three states allow their governors to reject an appropriation item outright: the "line item veto.") Especially in states whose constitutions do not require a balanced budget, the item reduction veto slows the growth of government spending. Bradley Cloud, "The Item Reduction Veto in the American States," *Arizona Issue Analysis*, March 1993, Goldwater Institute.

Pork Barrel Spending Alive and Well in Congress. In mid-March the U.S. House of Representatives approved a $16.2 billion "Emergency" Appropriations Bill that included such pork as: $4.5 million for Community Development Block Grants to replace a gymnasium and $5 million to construct a beach-side parking garage; $28 million to pay debts for Washington, DC (on top of $700 million the federal government gives the District every year); $148 million to update the IRS' computer system; and $23 million for EPA grants to Fortune 500 corporations. "News Release," March 19, 1993, The National Center for Public Policy Research.

CIVIL RIGHTS

BATF Gun Traces Unrelated to Criminal Violence. Gun traces conducted by the Bureau of Alcohol, Firearms, and Tobacco, produce data that "often have no particular relation to the pattern of gun use in violent crime." Yet gun control advocates rely on these data to support their anti-gun efforts. *Facts:* Fewer than 2 percent of guns involved in violent crime are actually traced by BATF, and more than 80 percent of all BATF gun traces do not involve guns thought to be connected to a violent crime. David B. Kopel, "Do Federal Gun Traces Accurately Reflect Street Crime?" *Independence Issue Paper* No. 5-93, February 5, 1993, Independence Institute.

Civil Rights Means Tearing Down Barriers. The civil rights movement and anti-poverty campaigns will find success in removing government-imposed barriers to opportunity. *Equal opportunity* in the economy, education, housing, and health care are best achieved by innovative approaches that stress empowerment of the individual. Michael Tanner, "A Civil Rights Agenda for State Government," *Policy Insights* Number 504, February 1993, Free Congress Research and Education Foundation.

Gun Control Won't Stop Rising Violence. In 1978, then-President Jimmy Carter awarded a major National Institute of Justice research grant to analysts who were asked to survey research regarding the efficacy of gun control. When the analysts issued their report in 1982, however, they had found *no persuasive scholarly evidence that America's 20,000 gun control laws had reduced criminal violence.* Since then, other researchers have come to the same conclusion. *People control*, not gun control, is needed to curb violent crime. David B. Kopel, "The Violence of Gun Control," *Policy Review*, Winter 1993, The Heritage Foundation.

ECONOMY

Small Business Not Optimistic About Economic Future. A survey conducted in February reports mostly pessimism on the part of small business owners who were asked whether the economy is turning around. Only 14 percent expected general business conditions to improve in the next three to six months. Paradoxically, the percent of small business owners who planned new investments in their firms increased over the previous month's survey. William C. Dunkelberg and William J. Dennis, Jr., "What will be the Small Business Impact of the Clinton Package?" *Monthly Small-Business Economic Update*, March 1993. Contact the NFIB Foundation, 600 Maryland Avenue SW #700, Washington, DC 20024; phone 202/554-9000.

Protectionism Doesn't Save Jobs. Protectionism diverts resources away from the country's most globally competitive industries, a sort of "reverse industrial policy" that does more harm than good. "The most persistent voices in Washington are those of inefficient industries trying to avoid competition; trade policy suffers as legislation is passed to prop up ailing firms and

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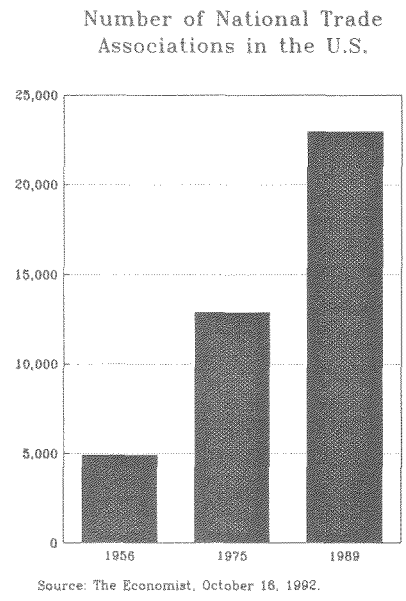
industries at the expense of growing industries that are creating jobs and expanding national output." Bryan Riley and Wayne Brough, "Detroit's Proposed Automobile OPEC," *Issues and Answers*, February 5, 1993, Citizens for a Sound Economy Foundation.

Myths of Trade with the Japanese. *Myth:* The Japanese market is closed to American products, resulting in a trade imbalance. *Reality:* In 1991, the average citizen of Japan purchased about $389 worth of U.S. products, $21 more than the average American consumer spent on Japanese goods. There is a trade imbalance between the U.S. and Japan largely because Japan's population is half the size of ours. *Talking Points on the Economy: International Trade #2*, The National Center for Public Policy Research.

U.S. Steel Industry Changing, Not Dying. Technological advances and global competition have forced a transformation, but not the demise, of the U.S. steel industry. Between 1985 and 1990, labor productivity in steel rose at an annual rate of 4.3 percent, compared to the overall increase in the business sector of less than 1 percent. James B. Burnham, "Changes and Challenges: The Transformation of the U.S. Steel Industry," *Policy Study* Number 115, March 1993, Center for the Study of American Business.

Federal Assistance for the Unemployed Misses the Mark. Fear that the North American Free Trade Agreement (NAFTA) will put Americans out of work has resulted in "adjustment assistance" proposals to make things easier for the unemployed. Unfortunately, precious little attention has been paid to the *failure* of similar programs. *Bad examples:* the Trade Adjustment Assistance program, the Job Training Partnership Act, and the Economic Dislocation and Worker Adjustment Assistance Act. *Better:* voluntary retraining and incentives for those finding employment. *Best:* income tax rollbacks and deregulation. Daniel J. Murphy and Thomas D. Walls, "Money for Nothing: The Federal Government's Broken Record in Adjustment Assistance Programs," *Economic Perspective*, February 24, 1993, Citizens for a Sound Economy.



Source: The Economist, October 18, 1992.

EDUCATION

Teachers Form New International Union. The National Education Association (NEA) and American Federation of Teachers (AFT) have merged their international chapters and joined 240 educator unions worldwide to establish Education International. The new union will represent some 20 million educators. In the U.S., the NEA and AFT boast a combined membership of 2.8 million; they are widely recognized as the most powerful special interest group at all levels of government in the U.S. "Futrell Given New Post," *The Government Union Critique*, March 12, 1993. Contact the Public Service Research Foundation, 1761 Business Center Drive #230, Reston, VA 22090; phone 703/438-3966.

Education Policy Subverts Parents' Role. American educational policy today is driven by the principle of educational finance monopoly (EFM) — education tax dollars are allocated to public schools and withheld from private schools. "The effect of EFM, whether intended or not, is to make it difficult or impossible to maintain an educational environment in which family-sanctioned ethical standards can be taught or insisted upon. This arrangement subverts the family's right and duty to ensure the moral formation of its children." Quentin L. Quade, "The Family's Values and Educational Choice," *The Family in America*, March 1993, The Rockford Institute.

Finance Monopoly or Educational Choice? Educational choice attacks the educational finance monopoly, the fundamental flaw in America's education system. Choice — a *funding* policy, not a teaching or schooling reform — would re-establish parental control and introduce into the education arena comparison and competition: "the human stimuli that encourage excellent performance and cost constraint." Quentin L. Quade, "A Primer on Educational Choice," *Choice Comments*, March 15, 1993. Contact The REACH Alliance, 600 North 2nd Street #400, P.O. Box 1283, Harrisburg, PA 17108-1283; phone 717/238-1878.

Michigan Public School Choice Plan Weak. In late 1991, Michigan mandated that its local public school districts offer parents some opportunity to choose the schools their children attend. The mandate was weak, however; it allowed school districts wide latitude in designing choice programs and even allowed districts to exempt themselves from the mandate if voters approved. In a survey of 153 Michigan school districts, researchers found most merely formalized existing student transfer policies. *Laudable exceptions:* Wyandotte School District and Detroit. Adam DeVore and Robert Wittmann, "Michigan's Experiment with Public School Choice: A First Year Assessment," *A Mackinac Center Policy Study*, January 1993, Mackinac Center for Public Policy.

Satellite Schools Help Ease Space Crunch. States should consider offering tax credits to businesses who sponsor "satellite schools" — schools on business worksites. Businesses contribute land, building space, and some operating expenses (such as utilities) to the schools; the school district supplies teachers, supplies, curriculum, and administration. Satellite schools in Dade County, Florida, where the idea originated, have saved taxpayers mil-

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lions of dollars in school infrastructure and transportation costs. Janet R. Beales, "Satellite Schools: The Private Provision of School Infrastructure," *Policy Study* No. 153, January 1993, Reason Foundation.

Choice Advocates Wary of Private School Regulation. While heavy-handed regulation of private schools is not inevitable under a school choice program, such a program must be carefully designed to avoid the threat. "Private schools that innocently [accept] students with . . . vouchers could become immediately vulnerable to legislators salivating for the opportunity to micromanage education policy." *California solution:* freeze all existing private-school regulations and prohibit the imposition of new regulations that do not attain a 3/4 majority in the state legislature or 2/3 majority in a local governing body, followed by a majority of all persons registered to vote in an election. John J. Miller, "Good Choice, Bad Choice," *Reason*, March 1993, Reason Foundation.

Teacher Strikes Update. By mid February, 43 strikes in 10 states had idled over 21,700 teachers, affecting nearly 320,000 students. Pennsylvania and Illinois have had the most teacher walkouts during the 1992-93 academic year. "Teacher Strikes," *The Government Union Critique*, February 12, 1993. Contact the Public Service Research Foundation, 1761 Business Center Drive #230, Reston, VA 22090; phone 703/438-3966.

Which Educational System Works for the Poor? Critics of educational choice argue that the poor and disadvantaged will be hurt, left behind in failing public schools. But the current system traps *all* students in "failing public schools"! Those truly concerned about children should participate in efforts to craft educational choice plans that safeguard the poor and the disadvantaged. Stephen C. Tracy, "School Choice and Equal Opportunity," *Choice Comments*, March 1, 1993. Contact The REACH Alliance, 600 North 2nd Street #400, P.O. Box 1283, Harrisburg, PA 17108-1283; phone 717/238-1878.

ENVIRONMENT

Free Trade and the Environment. Opposition to the North American Free Trade Agreement (NAFTA) has come in part from environmentalists who fear the Agreement will "make Mexico a pollution haven" that insufficiently funds environmental programs. *But free markets and free trade benefit the environment.*

Free trade stimulates economic growth, which in turn encourages the adoption of environment-friendly technology and provides resources needed to tackle environmental problems and conserve natural resources and wildlife habitats. Since 1970, the economies of developed countries grew 80 percent, and the quality of their environments *improved*. Angela Logomasini, "Free Trade and Economic Growth: Opportunities for Environmental Improvements," *Economic Perspective*, February 24, 1993, Citizens for a Sound Economy Foundation.

Railroads Responsible for Yellowstone Park? Research suggests that Yellowstone Park was created in large part through the efforts of the Northern Pacific Railroad. "In its pursuit of profit, the railroad wanted a destination that would bring passenger traffic, and that meant preserving the unique attractions of Yellowstone." *PERC Reports*, March 1993, summarizing the findings of Terry Anderson and P.J. Hill, "Private Good or Public Good: Capturing the Rents from Yellowstone Park," *PERC Working Paper 92-18*, Political Economy Research Center.

Private Ownership Encourages Good Stewardship. "Privatizing the environment gives owners the incentive to protect it. Making sure that polluters — not taxpayers — compensate their victims is the best deterrent. We can save the earth by making greed work for, instead of against us. What could be more natural?" Dr. Mary Ruwart, "The Pollution Solution," *ISIL Educational Pamphlet Series*, 1993. Contact the International Society for Individual Liberty, 1800 Market Street, San Francisco, CA 94102.

Setting the Terms for Environment Debate. Public policy must be based on scientific research and free dialogue, not rhetoric. *Six key principles:* free and open debate; reliable, verified scientific studies; spending no more than necessary; the use of market mechanisms; orientation toward goals or outcomes; protecting the economy. Samuel A. Brunelli, "Six Principles for Responsible Environmentalism," *FYI*, February 16, 1993, American Legislative Exchange Council.

Are Pollution Taxes All They're Cracked Up to be? Environmental lobbyists are hailing pollution-tax proposals as the ideal way to deal with global warming, reduce the deficit, and increase industrial competitiveness. What is more likely, however, is that "Congress will botch the tax rates and leave the economy worse off than before." Moreover, "powerful interest groups will lobby for spending the vast sums raised by pollution levies on pork-barrel projects, undercutting the theory behind this tax reform." Jonathan Marshall, "Paying for Pollution," *Reason*, April 1993, Reason Foundation.

GOVERNMENT

Government is a Growth Industry in the U.S. In 1990, government consumed 36.8 percent of the country's GNP; by contrast, government took just 8.9 percent of GNP in 1900. Total government spending per capita has increased from $331 per American in 1900 to *over $8,000 today*. The typical American family owes $60,000 as its share of the federal debt. Government today is less responsive to its citizens; produces services that often are high-cost and low-quality; and is crowding out productivity in the American economy. Stephen Moore, "Government: America's #1 Growth Industry," *IPI Policy Report* No. 121, February 1993, The Institute for Policy Innovation.

Public Employees Cost Wisconsin Taxpayers Millions. Between 1980 and 1989, the average monthly wage of private-sector employees in Wisconsin increased roughly 48 percent. Over the same period, the average wage of state government employees increased 51 percent; local government employees, 64 percent; and teachers, 89 percent. Wisconsin taxpayers could have saved $687 million in 1989 alone if the

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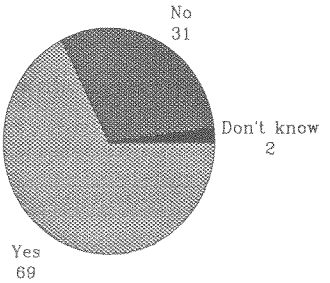
pay raises and fringe benefit increases received by government employees had kept pace with increases in the state's private sector. William J. Hunter, Wendell Cox, and Samuel A. Brunelli, "Wisconsin's Protected Class: How Public Employee Compensation is Bankrupting the State," *Heartland Policy Study* No. 55, March 26, 1993, The Heartland Institute.

Sunrise Review Curbs Growth of Government. "Sunrise legislation" requires that proponents of a new government bureaucracy (agency, board, commission, or department) set forth its benefits and demonstrate the prudence of such an expansion of government. Such a before-the-fact review makes an ideal complement to "sunset legislation," which mandates the automatic termination of an agency, board, or commission unless the state legislature acts specifically to reauthorize it. Eighteen states currently have some form of sunrise review. Dr. Charles E. Greenawalt II, "Sunrise Legislation — A New Curb on Bureaucracy," *Issue Brief*, February 1993, The Commonwealth Foundation.

Why Big Business Opposes Term Limits. Business, organized labor, and special interest groups all "would benefit [from term limits] in the long run just like everyone would: through better representation. But long-term benefits of better representation . . . are outweighed by the need to maintain short-term advantage. The loss of their 'sunk investment' in the status quo is the reason why corporate America has largely turned against term limits." Norman Leahy, "Corporate Interests: Why Big Business Hates Term Limits," *Term Limits Outlook Series*, March 1993. Contact the U.S. Term Limits Foundation, 666 11th Street NW #840, Washington, DC 20001; toll-free phone 800/733-6440.

Cautious Praise for Florida's Growth Management Proposal. The recently released report of Florida's Environmental Land Management Study committee includes innovative responses to growth management. It recognizes that diversity among Florida's communities requires flexibility in growth management policies; opens the door to time-of-day pricing on congested roadways; and urges deference to private property rights. Unfortunately, the report mixes such positive recommendations with endorsements of tried-and-failed policies, expansion of the role of government, and expensive and time-consuming red-tape. "ELMS III and the Need for Fresh Thinking About Florida Growth Management," *Policy Briefing*, 1993, The Claremont Institute.

Should the Terms of US Senators/ Congressmen be Limited to 12 Years?



Gallup survey, 1992, cited in The American Enterprise, November/December 1992.

The Dangerous Erosion of Federalism. Congress has a bad habit of starting new programs and asking the states to pick up the tab. Federalism has been badly eroded by this expansion of Washington's reach. State and local policy makers, however, must accept some of the blame: They all too often expect the feds to finance local projects or take the heat for sticky public policy problems. Is it any wonder the federal government responds with strings attached? Michael LaFaive, "Washington Should Kick the Mandate Habit," *Viewpoint on Public Issues*, February 8, 1993, Mackinac Center for Public Policy.

Think Tank Gives Michigan Governor A- Grade. Michigan Governor John Engler, who "has held public office since his college days," nevertheless "understands and empathizes with the travails of hard-working taxpayers and struggling small businesses." Engler receives high marks for resolving deficits without raising taxes; refusing to endorse increases in the state's gas and cigarette taxes; raising the threshold at which businesses are required to pay the single business tax; cutting the state government's permanent workforce by 8.4 percent; and encouraging privatization. *The Engler Administration: A Mid-term Review*, January 1993, Mackinac Center for Public Policy.

Clinton Economic Stimulus Package Won't Create Jobs. America's past experience with infrastructure-oriented "stimulus packages" suggests the Clinton Administration's $29 billion proposal is unlikely to quickly create the 500,000 jobs he projects. *Facts:* the $9 billion Emergency Jobs Act of 1983 created just 35,000 jobs, and only one-third of those jobs went to the unemployed. Joint Economic Committee GOP Staff, "More Infrastructure Spending: Few Jobs at the End of a $29 Billion 'Yellow Brick' Road," March 17, 1993. Contact Dolores Tremewan Martin, Joint Economic Committee, House Annex II - Room 357, Washington, DC 20515; phone 202/226-2490.

Between 1980 and 1990, the average private-sector employee nationwide enjoyed an inflation-adjusted compensation increase of 2.3 percent. The average state or local government employee enjoyed an inflation-adjusted compensation increase of 14.6 percent. In 1990 alone, government employees were paid $47.3 billion more than they would have been if their compensation had increased at the same rate as compensation in the private sector. Wendell Cox and Samuel A. Brunelli, "America's Protected Class II: The Widening Public-Private Pay Gap," *The State Factor*, January 1993, American Legislative Exchange Council.

Michigan's Headlee Amendment to be Strengthened. Since the Headlee Amendment's adoption in 1978, "hostility and neglect" on the part of government officials have weakened the Amendment's protection of Mich-

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igan taxpayers. To shore up the Amendment, Governor John Engler has created a 12-member Blue Ribbon Commission to evaluate compliance with the Amendment's provisions, identify where and how the Amendment is being undermined, and make recommendations. Patrick L. Anderson, "Time to Strengthen the Headlee Amendment," *Viewpoint on Public Issues*, March 8, 1993, Mackinac Center for Public Policy.

HEALTH

Just What Do We Want in Health Care Reform? Any proposed solution to America's health care industry woes must be measured on the basis of how well it addresses three interlocking aspects of health care—*quality*, *availability*, and *affordability*. The reforms most likely to address all three are reforms that maximize the individual's freedom of choice and promote a robust competitive market for health care services. *Position Paper: An American Solution to an American Problem*, April 1992. Contact The Council for Affordable Health Insurance, 1101 King Street #601, Alexandria, VA 22314; phone 703/838-9268.

Community Rating in New York an April Fool's Joke? Community rating requires health insurers to take all applicants and not vary premium charges on the basis of applicants' sex, age, or health. Proponents of New York's community rating law, which went into effect on April 1, claimed it would be "fair and equitable toward all." In fact, however, nine health insurance companies abandoned the New York market that day; more than 50,000 people lost their health insurance; and others saw their premiums increase by as much as 170 percent. "Fairness Forces Thousands to Lose Health Insurance," *Chicago Sun-Times*, April 2, 1993.

Reform Not Necessarily an Expensive Proposition. Conventional wisdom says that extending health care to all Americans will be an expensive proposition. But this need not be the case. Amid talk of "managed competition" or a Canadian-style system lies a more sensible plan that would not add

Reinventing Government

Let's Reconsider the Role of Government

By Steve Buckstein

PORTLAND, OREGON — Before he won the presidency, Bill Clinton said, "Those of us who want to revitalize government in the 1990s are going to have to reinvent it." He was referring to *Reinventing Government* by David Osborne and Ted Gaebler.

The gist of *Reinventing Government* is that government can become more efficient if it acts more entrepreneurial and less bureaucratic. Government is good at "steering" — setting public policy — but not very good at "rowing" — actually producing services. Where possible, the delivery of public services should be contracted out to private providers who compete for customers.

But *Reinventing Government* misses the point. Government has become such a big part of our lives that just making it better may not be enough. The essence of America is not government — it's free people with free minds living and producing within a free market system.

Osborne and Gaebler don't seem to understand that free market. First, they ask public employees to think like profit-seeking capitalists so as to meet the needs of their constituents. Later, they explain that government often can do things less expensively than the private sector because, among other advantages, government doesn't have to earn a profit. So which is it? If Osborne and Gaebler are confused about the role of profit in a market economy, how persuasive can their call for more "entrepreneurial" government really be?

Osborne and Gaebler argue that Americans' distrust of government sprang from the era of Boss Tweed and his corrupt political machine. In fact, however, Americans' distrust of government pre-dates Tweed, going back to colonial times when our forefathers left Europe to escape oppressive government power. America is based on the concepts of individual liberty and self-sufficiency. We never envisioned government *doing things for us* as much as we saw government protecting our rights so we would be free to *do things for ourselves*.

> **To reinvent government, we must make it *smaller*, not just more efficient.**

So, should we be looking to make government better, or smaller? Should the state introduce more creative lottery games, or get out of the gambling business altogether? Should it try to create jobs through economic development programs, or should it remove regulations, taxes, and other impediments that prevent the private sector from creating more jobs itself? *Reinventing Government* offers no clue.

I'm still glad that many government officials are taking the time to read *Reinventing Government*. I just wish they would spend as much time discussing the proper role of government in a free society.

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Steve Buckstein is president of Cascade Policy Institute.

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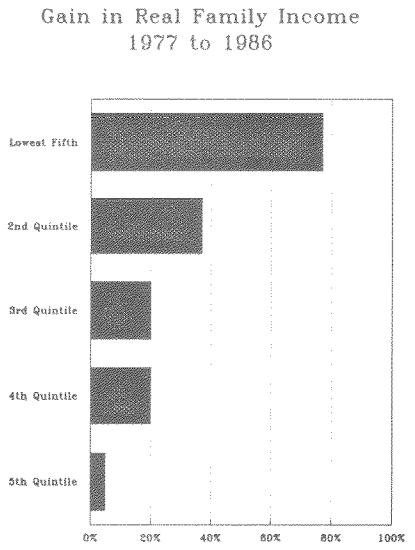
greatly to the deficit: tax credits for all health care consumers. William Tucker, "Health Care in Critical Condition," *Insight*, April 12, 1993.

State Legislators Heard on Health Care Reform. After 15 months of study, the National Task Force on Health Care of the American Legislative Exchange Council issued in February its recommendations for health care reform. The 120-member Task Force included 63 state representatives and senators from across the country. Their report includes discussions of health insurance, Medicaid, medical liability, long-term care insurance, and rural health care. *Especially useful:* The report includes 29 model bills addressing these issues. Molly M. Hering and Samuel A. Brunelli, editors, *Keeping the Promise: Making Health Care Accessible and Affordable for All Americans*, January 1993, American Legislative Exchange Council.

Health Care Technology Guide Published. The Health Care Technology Institute has released its *1993 Reference Guide for the Health Care Technology Industry*. The report includes an overview of health care technology products and the industry; a discussion of technology regulation in the U.S. and abroad; an article on the development and distribution of health care technology; and a look at health care expenditures. Contact the Health Care Technology Institute, 225 Reinekers Lane #220, Alexandria, VA 22314; phone 703/739-9437.

Good Intentions Can't Reform Health Care. Proponents of Oregon's health reform plan, while well-intentioned, neglected to challenge the fundamentally flawed central planning approach to health care. As a result, the Oregon Health Plan institutionalizes cost-shifting, takes away consumer choice, and creates the same inflationary effect that government Medicaid spending has. Peter J. Ferrara, "The Oregon Health Plan — Good intentions aren't enough," *Health Care Policy Insight* #2, March 1993, Cascade Policy Institute.

Jargon of Health Care Reform Defined. Current proposals for health care reform are replete with new buzzwords and acronyms that don't mean much to the average person. "Managed competition," for example,



Source: Urban Institute, 1992.

offers a system of HIPCs, AHPs, and an NHB, among other acronyms. What's it all mean? See "An Agent's Survival Guide to Health Care Terms" and "Agents' Concerns About Managed Competition," *Health Insurance Matters*, March 1993. Contact the Association of Health Insurance Agents, 1922 F Street NW, Washington, DC 20006-4387; phone 202/331-2160.

States Won't Wait for Federal Health Care Reform. While the media focus their attention on Hillary Rodham Clinton's task force, state legislatures are quietly considering a number of their own reform packages. Especially popular are proposals for small group insurance reform. "Survey of State Health Insurance Legislation," *Legislative Report*, March 22, 1993, the Association of Health Insurance Agents (AHIA). Annual subscriptions to *Legislative Report* are $75. Contact Gary A. Sanders, AHIA, 1922 F Street NW, Washington, DC 20006; phone 202/331-2160.

Washington State Reform Proposal Evaluated. The Washington Health Care Commission released its long-awaited report in November 1992. While many of the commission's recommendations are sound, there are serious weaknesses. Among them: (1) It assumes massive regulation by government will be needed to achieve its goals. (2) It does not permit price competition among insurers offering a mandated "basic" benefits package. (3) It sets a maximum premium without addressing the serious difficulty of setting that premium; as a result, the maximum premium almost certainly will be set higher than it would have been in a competitive market. Roger J. Collier, "The Right Prescription for Washington?" *Washington Research Council Special Report*, February 1993, Washington Research Council.

HIGHER EDUCATION

Pork in the Ivory Towers. The federal government funds a lot of pork at universities across the country. Among the most egregious examples in fiscal year 1992, as reported by Citizens Against Government Waste: $1.6 million to the University of California - Davis for a grape *import* facility near the wine country of Sonoma Valley; $157,000 to Clemson University for home sewing; $225,000 to the University of Georgia for onion storage; and $1.8 million to the University of Georgia for a sound production lab. "Capitol Hill Capers," *Government Waste Watch*, Winter 1993. Contact Citizens Against Government Waste, 1301 Connecticut Avenue NW #400, Washington, DC 20036.

LAW

Virginia Law Anti-Gun, But Not Anti-Crime. Virginia Governor Doug Wilder recently signed legislation that limits the number of handguns that can be purchased in the state. But he's no crime-fighter. As a state legislator, he opposed mandatory sentences for gun-using felons, opposed making it a felony to brandish a firearm while resisting arrest or escaping from a police officer, and opposed denying parole to twice-convicted felons. Mark H. Overstreet, "'Rationing' Rights," *American Rifleman*, March 1993, National Rifle Association.

Prison Overcrowding a Result of War on Drugs. Between 1984 and

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1991 the number of drug offenders admitted to Illinois prisons increased by 644.8 percent, while non-drug admissions increased by just 44.1 percent. Despite spending $459 million to build 15 prisons in 15 years, Illinois' corrections system is more crowded than ever -- operating in late 1992 at 151 percent of capacity. *Solution:* "It's time we acknowledge that the real enemy in this War is not everyone who uses drugs, . . . [but] a much smaller force: drug users and sellers who hurt other people by committing non-drug crimes." Michael A. Finch, "Prison Overcrowding and the War on Drugs," *A Heartland Perspective*, March 5, 1993, The Heartland Institute.

How Best to Protect Children from Guns. Black male teenagers, the primary victims of gun violence today, would benefit most from a coordinated strategy to fight inner-city crime. Younger children and those in different socioeconomic situations will benefit more from safety programs than from gun control laws. *Problem:* Nationwide, guns figure in less than 1 percent of all deaths for children under the age of 15, but shootings are epidemic among youth in the inner city. *Solution:* A strategy tightly focused on the inner city is more likely to succeed than a broadly symbolic approach that would dilute law enforcement resources, violate civil rights, and make it more difficult for individuals to protect themselves. David B. Kopel, "Children and Guns: Sensible Solutions," *Independence Issue Paper* No. 3-93, February 1993, Independence Institute.

Texas Passes Major Products Liability Reform. Sellers and manufacturers in Texas won a major victory in early 1993, when the state legislature added Chapter 82 — Products Liability — to Title 4 of its Civil Practice and Remedies Code. Effective September 1, 1993, the new law (1) requires manufacturers to hold sellers harmless in any products liability action that does not arise out of sellers' misconduct; (2) protects the manufacturers and sellers of "inherently unsafe products"; and (3) shifts the burden of proof in "design defect" cases to claimants. A photocopy or fax of the new law is available on request from The Heartland Institute.

PRIVATIZATION

Proper Bidding and Monitoring for Privatization. Competitive contracting of public services to the private sector has become a popular tool among state and local government agencies. If contracting out is to achieve its potential for cost savings, efficiency improvements, higher service quality, and more manageable government, policy makers must put in place a carefully designed system for bidding and monitoring. John Rehfuss, "Designing an Effective Bidding and Monitoring System to Minimize Problems in Competitive Contracting,"

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INDIANA POLICY REVIEW

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WELFARE

George B. Witwer, a senior fellow with the foundation, applies a dozen cultural indicators to Indiana (total welfare spending, poverty rate, per-capita personal income, etc.) and concludes that the $52 million spent since 1969 has not only been wasted but has been counterproductive.

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TRANSPORTATION

William Watt, a former chairman of the Transportation Coordinating Board and a senior fellow of the foundation, suggests that national transportation policy is hopelessly weighted by the fact that "commuters vote but freight doesn't." He details how money needed for infrastructure maintenance and upgrading is sucked away by politically driven projects such as Massachusetts' magnetic train.

KATHY FOLEY
INDIANA POLICY REVIEW FOUNDATION
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Health Care Reform

A revised edition of The Heartland Institute's best-selling *Why We Spend Too Much on Health Care* will be copublished with University Press of America and available in early May. With a Foreword by Representative Dick Armey and a new discussion of "managed competition" — the Clinton administration's apparent plan of choice for imposition on the American health care consumer.

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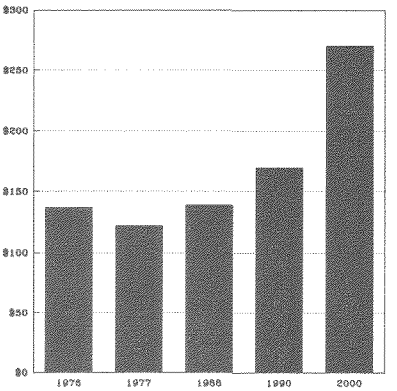
Research Report Research Report Research

How-To Guide #3, February 1993, Privatization Center of the Reason Foundation.

Privatization Reduces Cost of Fire Protection. Fire protection services are provided by the private sector in Arizona, Tennessee, Georgia, and Oregon on a subscription basis to individual home and property owners, by contract with municipal governments, and by contract with commercial airports. *How they save money:* the use of full-time and on-call firefighters; cross-training, so that the same personnel, equipment, and stations can provide more than one type of service; a focus on fire *prevention*, using both technology and public education. John R. Guardiano, David Haarmeyer, and Robert Poole, "Fire Protection Privatization: A Cost-Effective Approach to Public Safety," *Policy Study* No. 152, January 1993, Reason Foundation.

How Heavy is the Regulatory Burden?
(billions of 1988 dollars)



"Government Regulation and American Business," Center for the Study of American Business, December 1992.

Privatization Worldwide. The cash-strapped government of unified **Germany** plans to privatize the country's highway system. In **Bulgaria**, where the private sector owns just 4 percent of all businesses, the government plans to privatize between 80 and 100 enterprises by the end of the year. And the Finance Ministry of **Mexico** has begun interviewing four prospective bidders for the nation's two government-owned television networks, 168 affiliated stations, a movie theater chain, a production studio, and the newspaper *El Nacional*. "Privatization Notes," *The Government Union Critique*, March 12, 1993. Contact the Public Service Research Foundation, 1761 Business Center Drive #230, Reston, VA 22090; phone 703/438-3966.

School Districts Save through Privatization. Cafeterias, student transportation, and custodial services are among the support services being turned over to the private sector by school districts across the country. The savings are substantial. A proposal to privatize school bus services in one New Jersey school district, for example, would produce *annual* savings of up to $1.5 million with no reduction in service quality; sale of the district's bus fleet would bring in a one-time windfall of $1.3 million. "School Districts Privatize Support Services and Realize Substantial Cost Savings," *Privatization Watch*, March 1993, Reason Foundation.

American Cities Turn to Privatization. Phoenix, Indianapolis, Chicago, Philadelphia, and Newark are among dozens of cities across the U.S. that are contracting with the private sector for the provision of public services. *Key targets for privatization:* trash collection, golf courses, automobile towing, custodial services, street sweeping, data processing, tree trimming, printing, and ambulance service. "Municipal Service Privatization Sweeps Across America," *Privatization Watch*, March 1993, Reason Foundation.

Studies Document Savings from Privatization. Over 100 studies conducted during the past 20 years offer convincing evidence that privatization saves money. It works because the private sector utilizes better management techniques; better and more productive equipment; greater incentives to innovate and excel (including pay scales tied to performance); and more efficient deployment of workers. John Hilke, "Cost Savings from Privatization: A Compilation of Study Findings," *How-To Guide #6*, March 1993, Privatization Center of the Reason Foundation.

Comprehensive Privatization Offers Much to Cities. Mayors, city council members, and city managers across the country face fiscal crises

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Research Report

that demand a powerful solution. City-wide privatization programs — practical, responsive, entrepreneurial, and comprehensive, yet flexible in scope and implementation — offer such a solution. John Stainback, "Designing Comprehensive Privatization Programs for Cities," *How-To Guide #2*, February 1993, Privatization Center of the Reason Foundation.

How to Compare Service Delivery Costs. Public officials who believe privatization would save them money over in-house delivery of public services need to know how to accurately assess the costs of each. *Fact:* It has been estimated that the true cost of public service provision is frequently underestimated by as much as 30 percent. Lawrence Martin, "How to Compare Costs Between In-House and Contracted Services," *How-To Guide #4*, March 1993, Privatization Center of the Reason Foundation.

Two-thirds of the funding for mass transit in the United States comes from taxpayer subsidies — *not* fares or other operating revenues.

Privatization of Mass Transit Promises Savings. Mass transit's operating costs per vehicle mile increased 418 percent between 1970 and 1990 — twice the rate of inflation. Competitive contracting of mass transit services would save money (as much as 60 percent) while maintaining or improving service quality. Jean Love and Wendell Cox, "Competitive Contracting of Transit Services," *How-To Guide #5*, March 1993, Privatization Center of the Reason Foundation.

REGULATION

Regulation a Bigger Burden than Taxation. "The number of administrative rules regulating people and businesses of Washington State has mushroomed over the decade beyond anyone's wildest dreams . . . or nightmares." *There are now more than 12,000 pages of state rules regulating people and business in Washington.* State agencies have adopted more than 700 new rules *each year* for the past several years. Elaine Ramel Davis,

Corrections

Prison Overcrowding and the War on Drugs

By Michael A. Finch

CHICAGO, ILLINOIS — To come to grips with the state's prison overcrowding crisis, Illinois policy makers must accept certain truths. In 1990, Illinois had the fastest-growing prison population in the nation. Despite spending $459 million to build 15 prisons in 15 years, Illinois' corrections system is more crowded than ever — operating in late 1992 at 151 percent of capacity.

Why can't we keep up? Because very few policy makers and opinion leaders in Illinois are willing to challenge, head-on, the underlying problem: the War on Drugs.

Drug law enforcement is the most significant cause of the crowded conditions that afflict the Illinois corrections system. *Between 1984 and 1991 the number of drug offenders admitted to prison increased by 644.8 percent.* (Non-drug prison admissions increased by just 44.1 percent.) In 1985, 4.5 percent of the total prison population had been admitted with a drug charge as their principal offense; by 1991, that figure had quadrupled, to 18 percent.

A rapidly increasing share of Illinois' other criminal justice resources also is devoted to the War on Drugs. Drug arrests rose almost three times faster than arrests for Index I crimes (murder, manslaughter, sex offenses, robbery, burglary, assault, larceny, and auto theft) between 1984 and 1989. In 1984 one drug arrest was made in Illinois for every four Index I arrests; by 1989, one drug arrest was made for every 2.9 Index I arrests.

To make room for the drug offenders, convicted non-drug offenders have been released early from state prisons and accused felons have been released without bail from local jails. Over 80 percent of all felony cases in Illinois are settled through plea bargaining rather than by trial.

It's time we acknowledge that the enemy in this War is not everyone who uses drugs. Most of these people are "innocent bystanders" who all too often are hurt by our badly targeted Drug War. The real enemy is a much smaller force: drug users and sellers who hurt other people by committing non-drug crimes.

To deal with alcohol and cigarettes — addictive substances not unlike many currently illegal drugs — we have adopted a strategy far more successful than the War on Drugs. We bombard cigarette and alcohol users with information about the dangers of their habits; we encourage them to seek treatment when they become dangerous to themselves; but we imprison them or mandate treatment only when they endanger others. Why do we treat illicit drug users differently?

The War on Drugs has strained the state's criminal justice system well beyond its limits. If state policy makers do not have the courage to adopt a bold new strategy for fighting that War, they — or their successors — will find it necessary to discuss in yet another legislative session the same things they are discussing today.

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Michael A. Finch is Illinois executive director of The Heartland Institute.

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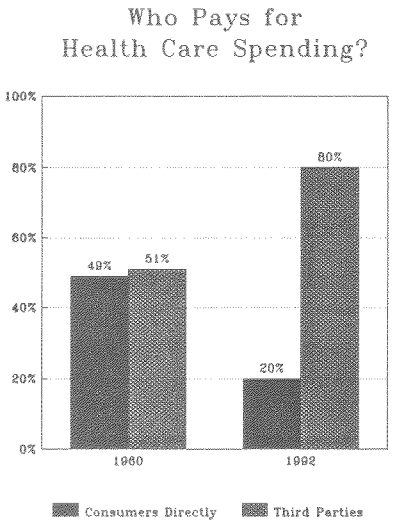
"Regulation without Reason: A Prescription for Cleaning Up Excessive Bureaucracy," March 11, 1993, Washington Institute for Policy Studies.

In 1992, 57 major new regulations were finalized by federal agencies. It is estimated that these regulations will impose annual costs of $15 billion on those who must comply with them. *Benefits of any kind were "known" for only 33 percent of these new regulations.* Clyde Wayne Crews, Jr., "Ten Thousand Commandments: Regulatory Trends 1981-92 and the Prospects for Reform," *Regulatory Perspective*, February 8, 1993, Citizens for a Sound Economy Foundation.

Savings and Loan Bailout Analyzed. Reviews the history of the savings and loan industry, evaluates federal deposit insurance and its impact on investors' behavior, and assesses the effect of government regulation on the financial industry. Since 1987, the federal government has "bailed out" the industry *four times*; the current bailout began in 1991 and is expected to cost upwards of $200 billion. Eric-Charles Banfield, *The Bailout of the FSLIC: How the Government Defrauded the Taxpayers*, August 1992. Contact Banfield Analytical Services, 300 West 60th Street #202A, Westmont, IL 60559.

SEC to Play Key Role in U.S. Competitiveness. The Clinton Administration's appointees to the Securities and Exchange Commission face many challenges: increased competition from foreign financial markets, rapid changes in technology, the growing importance of institutional (rather than individual) investors, and a proliferation of complex new financial products. How the SEC responds to these challenges and others will have important implications for the international competitiveness of U.S. firms. Kenneth Lehn and Robert Kamphuis, editors, *Modernizing US Securities Regulation: Economic and Legal Perspectives*, December 1992. Contact The Center for Research on Contracts and The Structure of Enterprise, Joseph M. Katz Graduate School of Business, University of Pittsburgh, Pittsburg, PA 15260.

Some Good Could Come from Zoe Baird Affair. Zoe Baird committed a "crime" that millions of Americans are no doubt guilty of — failure to withhold income taxes from her babysitter's pay. Legislators should consider applying a "Zoe Baird standard" to existing and prospective laws and regulations: Does this law result in widespread non-compliance while producing no discernible public benefit? If the answer is "yes," the proposed law should never be passed; an existing statute should be repealed or modified. Scott Smith, "Are You Guilty of Zoe Baird's 'Crime'?" *A Heartland Perspective*, February 19, 1993, The Heartland Institute.



William Tucker, "Health Care in Critical Condition" Insight, April 12, 1993.

TAXES

Gasoline Taxes Burden Poor, Rural Americans. The average American paid under 1 percent of his or her annual income in federal and state gasoline taxes in 1992. But Americans who made less than $10,000 that year paid fully 3.21 percent of their income in gasoline taxes. And rural Americans pay more than city residents; Wyoming residents pay about $90 each per year, while District of Columbia residents pay just $38. "New Foundation Report Traces Gasoline Excise Tax Collections," *Tax Features*, February 1993, Tax Foundation.

Consumers Avoid High Cigarette Taxes. Consumers who might "walk a mile for a Camel" will travel even farther to avoid paying high cigarette excise taxes. Massachusetts recently doubled its cigarette tax, from 26 to 51 cents per pack, but the state will in no way double its revenue. Massachusetts' neighbor states will benefit most: New Hampshire will reap an additional $19.95 million in cigarette tax revenues; Vermont, $1.42 million; Connecticut, $10.4 million; Rhode Island, $10.5 million; and New York $0.8 million. "New Tax Foundation Report Shows Consumers Crossing Borders to Avoid High Cigarette Excises," *Tax Features*, February 1993, Tax Foundation.

Taxes Add 70 Percent to the Cost of Almost Everything. "In a world of zero taxes, [a Michigan taxpayer] would have to earn $10,000 to buy a $10,000 car. But in the current, high-tax world of our consumer, she must first earn $17,038.57." Taxes increase the "purchasing power" of government, but only at the expense of individual consumers. George Nastas, "Taxes Make A Bigger Difference Than You Think," *Viewpoint on Public Issues*, February 8, 1993, Mackinac Center for Public Policy.

The average person spends three times more money per year on taxes than on food. *William Ahern, 1992, Tax Foundation.*

Illinois Legislative Scorecard Published. National Taxpayers United of Illinois surveyed state legislators' votes on 13 tax increase and tax cut bills considered in 1991-92. Individual legislators are rated on a scale of 100 percent (voted against every tax increase and for every tax cut) to 0 percent. *The good guys:* Rep. Robert Regan (85.70%), Senator Walter Dudycz (78.60%). *The bad guys:* Five Representatives and 4 Senators tie with scores of just 7.10%. *Special Tax Sur-*

(Continued on Page 26)

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Privatization

Art is Personal; its Funding Should be Private

By John O'Leary

LOS ANGELES, CALIFORNIA — Most debates surrounding government subsidies to the arts focus on the specific merits of particular works. Outraged commentators trot out their favorite piece of offensive government-funded art and condemn it as obscene, blasphemous, and un-American. Artists counter with charges of censorship. Both sides brim with righteous indignation.

Though often entertaining, such debates completely miss the point. Which art gets funded is irrelevant; what matters is *who gets to choose*. Government funding is not about art or culture — it's about politics and money.

Funding for the arts is usually defended in the grandest of terms, as a means of advancing culture, enriching the community, and elevating the human condition. These abstractions mask the essence of arts funding: Money is taxed away from individuals who earn it by people who think government committees can spend it more wisely.

It is time to privatize the arts. The government shouldn't suppress the work of any artist, nor should it support the work of any artist at the expense of others. In the absence of government interference, a healthy market produces the sort of art that people enjoy.

The arts in America are a $314 billion industry. Madonna, Major League Baseball, and Sylvester Stallone movies all thrive without subsidies. Tickets for a Madonna concert or a Dodgers game aren't cheap, but people enjoy these things and are willing to pay for them. The sort of arts most people enjoy — from rap music to country music — isn't subsidized by the government.

Advocates for arts funding have latched onto the fallacy that arts funding creates jobs. In fact, however, government funding for the arts merely shifts jobs from other sectors of the economy. The $175 million the NEA spent last year represents $175 million taken away from individuals, each of whom had plans for their share of that money. Their use of the money would have stimulated the economy at least as much as having the NEA spend it for them. Truth is, the only economy improved by arts funding is the economy of the arts community, and their gain is realized at the expense of others.

Arts funding also compromises freedom of expression. By funding certain works of art, the government promotes some values and disparages others. No one should be surprised that a "culture war" has arisen over which art ought to be funded. Art always has been used to advance various political and social agendas. It's only natural that True Believers of every stripe battle to control what message is aired with the government's approval.

With funding shortfalls threatening essential government services, it's time to re-examine priorities. There is no need for government to take charge of so personal a business as choosing what tastes, values, and beliefs deserve support. The free market can accomplish that. It's time to privatize the arts.

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John O'Leary is a policy analyst for the Reason Foundation.

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vey: 87th Illinois General Assembly, 1991-1992, March 1993. Contact National Taxpayers United of Illinois, 223 West Jackson Boulevard #1202, Chicago, IL 60606; phone 312/427-5128.

Taxpayers Action Day '92 A Smashing Success. On October 17, 1992, taxpayers turned out at 205 rallies nationwide to demand the elimination of government waste and call upon elected officials and candidates for public office to act responsibly with taxpayer dollars. The largest rally, held at Freedom Hill Park just outside of Detroit, Michigan, attracted more than 5,000 people. Karen Kerrigan, "The Taxpayers Won!" *Government Waste Watch*, Winter 1993. Contact Citizens Against Government Waste, 1301 Connecticut Avenue NW #400, Washington, DC 20036.

Kansas Home to New Taxpayers Group. The Kansas Taxpayers Network, a nonpartisan citizens organization, was established to provide the state's taxpayers with a strong voice addressing state and local government issues. It advocates "eliminating unnecessary government spending and ending burdensome bureaucratic regulations," and it supports privatization. Contact Karl Peterjohn, executive director, Kansas Taxpayers Network, P.O. Box 20050, Wichita, KS 67208; phone 316/684-1400.

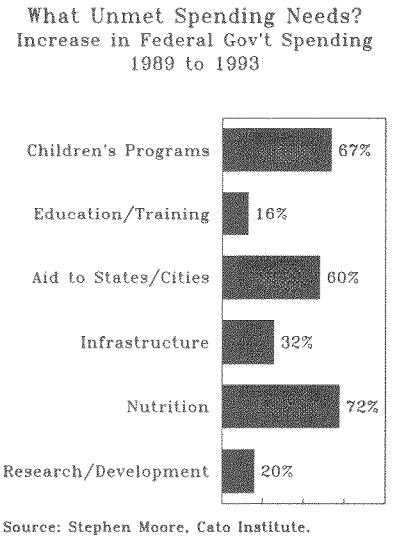
TRANSPORTATION

Key Issues in Electronic Toll Collection Evaluated. State highway officials are increasingly interested in electronic toll collection as a way to reduce highway congestion and introduce efficiency-enhancing pricing of highways. The implementation of ETC raises technical issues as well as issues of economics, enforcement, and privacy. James Halloran, "Standardizing Electronic Toll Collection," September 1992, Reason Foundation.

OTHER TOPICS

Private Practice Educators Plan Conference. The American Association of Educators in Private Practice (AAEPP) will hold its annual conference in Madison, Wisconsin, on August 13-14, 1993. The conference will feature discussions of the charter schools movement and how private practice educators can contract with schools. For more information contact Chris Yelich, American Association of Educators in Private Practice, N7425 Switzke Road, Watertown, WI 53094; phone 414/699-3280.

Advice to Policy Makers in One Volume. In what Massachusetts Governor William Weld calls "a road map for our new President," the Cato Institute offers market liberal perspectives on a wide range of current issues. Chapters address health care, education, the environment, foreign policy, trade, and poverty. David Boaz and Edward H. Crane, editors, *Market Liberalism: A Paradigm for the 21st Century*, 1993, $25.95 cloth, $15.95 paper, Cato Institute.



Source: Stephen Moore, Cato Institute.

New Proponent of Free Enterprise Established. The Institution for World Capitalism, Inc. has been established to "promote the study and advancement of democratic capitalism in all nations." Located on the campus of Jacksonville University, Florida, IWC hopes to attract scholars, students, policy experts, and leaders in business, government, education, and religion who wish to improve their understanding of democratic capitalism and its contribution to prosperity and freedom. Contact the Institution for World Capitalism, Jacksonville University, 2800 University Boulevard North, Jacksonville, FL 32211; phone 904/744-3950, ext. 4431.

ALEC 20th Annual Meeting Set for Traverse City, Michigan. The American Legislative Exchange Council (ALEC) will celebrate 20 years of promoting economic growth, free markets, and free enterprise at the Grand Traverse Resort in Traverse City, Michigan. The meeting — expected to attract over 1,500 state legislators, government affairs representatives, association executives, and public policy experts — will take place August 10-14, 1993. Contact ALEC for registration and exhibitor information.

Are Labor-Management Committees Illegal? In a case with frightening implications for U.S. global competitiveness, the National Labor Relations Board declared that labor-management cooperation on a wide range of issues is illegal. Labor unions, seeking to reverse years of declining membership, are using the NLRB decision to quash the development of so-called "quality circles" and other employee participation programs in non-union firms. *Implications:* Since fewer than 12 percent of private-sector workers belong to unions, labor-management cooperation involving 88 percent of America's private workforce may break the law. Charles W. Baird, "Are Quality Circles Illegal? Global Competition Meets the New Deal," *Briefing Papers* No. 18, February 10, 1993, Cato Institute.

Congress, as Seen from the Inside. Dirty tricks, evasions of responsibility, legislative trickery, re-election gimmicks, scams, and corruption characterize Congress. *What to do about it?* Not only term limits, but limits on the length of Congressional sessions; spending limits and a balanced budget requirement; cut staff and cut committees. Eric Felton, *The Ruling Class: Inside the Imperial Congress*, 1993, The Heritage Foundation. A special abridged paperback version, just 103 pages in length, is available for $2.95 each (deep discounts for bulk orders!) from Jameson Books, Inc., P.O. Box 738, Ottawa, Illinois 61350; toll-free telephone 800/426-1357.

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Research Report

Reform Agenda Developed for North Carolina. If state legislators are to make any headway against any of North Carolina's seemingly intractable problems, they must trim state government, lower taxes, and apply the principles of free market competition and property rights wherever possible. *Where to start:* the environment, education, transportation, housing, crime, the state budget, and taxation. John Hood, editor, "Our Best Foot Forward," *Policy Report* Number 6, January 1993, John Locke Foundation.

National Service is not Charity. President Clinton wants us to believe that coerced national service is good not only for others, but for the servant as well. He is wrong, and his error likely will do serious damage. True sacrifice and service are personal matters; charitable acts are best performed in anonymity. "There are good reasons for this; more often than not, publicity leads to self-aggrandizement, waste, and a focus on good intentions rather than good results. . . . We do an injustice to our young when we tear charity from the heart and place it under the control of government, for the good we *voluntarily* do each other is an important measure of our society." Jill Cunningham, "National Servants: Undermining Traditional Charity," *Alternatives in Philanthropy*, March 1993, Capital Research Center.

Comprehensive Overview of Issues Published. The American Legislative Exchange Council published in December 1992 *Legislative Issue Briefs*, distributed to registrants at ALEC's 1992 National Orientation Conference. In 271 pages, the manual addresses 64 issues in eight topic areas, including *tax and fiscal policy*, *regulation*, *health care*, *environment*, *education*, and *criminal justice*. Jean Love and Samuel A. Brunelli, editors, *Legislative Issue Briefs*, December 1992, American Legislative Exchange Council.

Transportation

The Unbearable Lightness Of Rail

By Jean Love and Tom Shull

DETROIT, MICHIGAN — Rail fever has infected Detroit. Rail proponents are serving up to businesses and civic groups the familiar litany of rail's purported benefits. Unfortunately, none of these supposed benefits is supported by recent U.S. experience.

Purported benefit: Rail can carry more passengers than buses. It's true that rail vehicles have a larger capacity than the standard bus, but this is no benefit. Few Detroiters use mass transit. Detroit's work-trip market share — the percent of people who use transit to get to work — is 2.4 percent, half the U.S. average. While transit market share fell 17 percent nationwide over the last decade, it plunged 35 percent in Detroit.

Purported benefit: Rail increases transit ridership. Rail proponents claim that current transit ridership is not an issue, because rail increases ridership. Yet none of the 13 cities that made rail "investments" between 1980 and 1990 increased transit market share. Transit's work-trip market share in Portland declined 33 percent during the 1980s, despite the construction of a touted rail system.

Rail may attract some new, mostly middle-income riders, but at a high cost to the taxpayer. Atlanta's $2 billion heavy rail system has attracted new riders at an annual cost of $15,000 per new rider — roughly equivalent to buying each new passenger a Ford Taurus or Chevy Lumina every year.

Purported benefit: Rail decreases air pollution, energy consumption, and traffic. Rail might achieve these goals if it attracted large numbers of drivers from their automobiles. But rail attracts few drivers from their cars. Most rail riders formerly rode buses, walked, or were automobile *passengers*.

Purported benefit: Rail increases downtown development. There has been an increase in the government-financed development of convention centers and hotels, sports arenas, and upscale shopping malls in cities such as Buffalo. But analysts have found no evidence that rail induces *private* development that might not occur in its absence. In San Diego, the regional Association of Governments has concluded that "rail was not a major locational determinant" of development and that market forces drive development in the area.

> **Light rail does not increase ridership, ease pollution or congestion, or spur economic growth.**

Purported benefit: Rail is cheaper than other forms of mass transit. Most rail construction is sold to local taxpayers on the grounds that other people — federal and state taxpayers — will pay for building the system. But local taxpayers must pay for cost overruns, which can exceed 100 percent of projected costs.

Light rail is a costly dead-end. If economic development and population growth are the goals, it is time Detroit shelved "show-and-tell" projects and concentrated on the basics: providing a clean, safe city.

###

Jean Love is an international mass transit consultant. Tom Shull is Michigan executive director of The Heartland Institute.

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***Barry Goldwater** presented the first annual "Goldwater Award" to **Jack Kemp** at the Institute's Annual Luncheon **Missouri Governor John Ashcroft** was the keynote speaker, detailing his use of the "item-reduction veto" to control state spending.*

* * *

"The Item Reduction Veto in the American States"
Arizona Issue Analysis — March 1993

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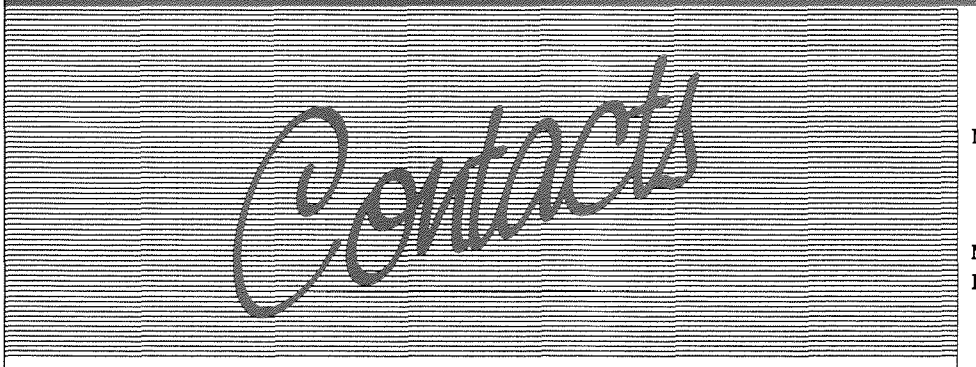

Most of the research summarized in the *Research Report* can be ordered from the organizations listed below. This list features organizations that conduct and disseminate market-oriented research and commentary on state and local public policy issues.

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